



County of Los Angeles CHIEF EXECUTIVE OFFICE

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SACHI A. HAMAI
Interim Chief Executive Officer

September 17, 2015

Board of Supervisors
HILDA L. SOLIS
First District

MARK RIDLEY-THOMAS
Second District

SHEILA KUEHL
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

To: Mayor Michael D. Antonovich
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe

From: Sachi A. Hamai
Interim Chief Executive Officer

SACRAMENTO UPDATE – REDEVELOPMENT LEGISLATION

Executive Summary

This memorandum provides a report on the following redevelopment legislation:

- **Status of County-Advocacy Legislation**
 - **County-supported AB 204 (O'Donnell)** – related to prohibiting oversight boards in Los Angeles County from being consolidated into a single countywide oversight board on or after July 1, 2016, unless a successor agency adopts a resolution dissolving its board, was placed in the Senate Inactive File on June 25, 2015, and it will not proceed this year.
 - **County-opposed AB 974 (Bloom)** – related to allowing redevelopment and housing successor agencies to commit all remaining proceeds from redevelopment related bonds issued between January 1, 2011 and June 28, 2011, was placed in the Senate Inactive File on September 10, 2015, and it will not proceed this year.
- **Legislation of County Interest**
 - **SB 107 (Committee on Budget)** – related to making various statutory changes related to the redevelopment dissolution process, including the use of bond proceeds issued in 2011, consolidation of oversight boards in 2018, and revenue generated and collected from a voter-approved property tax levies to support pension programs, among other provisions passed both chambers of the Legislature on September 11, 2015. This measure now proceeds to the Governor.

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Background

As previously reported, the Governor's January Budget and May Revision proposed numerous changes to the redevelopment dissolution process. The Department of Finance (DOF) issued proposed language to effectuate those changes, including:

- 1) conversion to an annual Recognized Obligations Payment Schedule (ROPS), beginning July 1, 2016, rather than the current bi-annual ROPS submission;
- 2) create a process where a successor agency may submit a Last and Final ROPS if the successor agency's only remaining debts are related to administrative costs and payments of enforceable obligations with defined payment schedules, and only if the successor agency is not party to outstanding litigation;
- 3) direct counties with 40 or more oversight boards to consolidate into five oversight boards, instead of one, beginning on July 1, 2016;
- 4) designate county auditor-controllers as staff for the consolidated countywide oversight boards, beginning on July 1, 2016;
- 5) allow successor agencies that have received a Finding of Completion to expend a portion of bond proceeds issued in 2011;
- 6) allow successor agencies that have an approved Last and Final ROPS to expend additional percentages of bond proceeds issued in 2011, dependent on which month the bonds were issued;
- 7) direct auditor-controllers to distribute revenues from voter-approved property tax levies for both pension obligations and State water projects to the taxing entity, unless the amounts are pledged to pay indebtedness obligations;
- 8) establish limitations on former loans between a city or county and a former redevelopment agency; and
- 9) establish limitations on successor agencies' administrative cost allowances and expenditures, how legal fees will be paid, successor agencies' ability to create enforceable obligations for winding-down purposes, and successor agencies' ability to re-enter into agreements with a city or county; among other provisions.

On May 26, 2015, the County opposed the provisions of the draft budget bill language related to the redevelopment dissolution process that proposed to:

1) create five oversight boards in the County of Los Angeles; and 2) allow the use of any 2011 bond proceeds. The Sacramento advocates and this office also had communication with the Department of Finance to convey the County's concerns about the impact that these provisions would have on the County in terms of long-term residual property tax revenues, delay of the former-RDA's property disposition process, long-term delay in the wind-down of successor agencies operations, and administrative costs.

Initial efforts to move the DOF proposal were made in June 2015 when the draft language was amended into a spot bill, **AB 113 (Budget Committee)**. However, the Senate Budget Committee did not consider the bill and negotiations between the Administration and the Legislature on these issues continued through the end of the session.

On September 10, 2015, the draft redevelopment budget bill language was amended into a spot bill, **SB 107 (Committee on Budget)** and passed by the Senate Budget Committee on September 11, 2015. Both houses of the Legislature also heard and passed the bill on September 11, 2015. More specific information about SB 107 is detailed below.

Status of County-Advocacy Legislation

County-supported AB 204 (O'Donnell), which as amended June 16, 2015, would require an oversight board within the County of Los Angeles to continue to independently operate past the July 1, 2016 consolidation date until its successor agency adopts a resolution dissolving the board. On June 25, 2015, the author moved AB 204 to the Senate Inactive file pending the outcome of the ongoing negotiations on the various issues contained in the proposed redevelopment budget bill. This measure will not proceed this year.

County-opposed AB 974 (Bloom), which as amended on March 26, 2015, would allow redevelopment and housing successor agencies to commit all remaining proceeds from redevelopment related bonds issued between January 1, 2011 and June 28, 2011, passed the Senate Appropriations Committee by a vote of 5 to 2 on August 27, 2015, and proceeded to the Senate Floor. The measure was subsequently moved to the Senate Inactive File on September 10, 2015, and it will not proceed this year.

Legislation of County Interest

SB 107 (Committee on Budget) which as amended on September 10, 2015 includes the language in the proposed budget bill related to the redevelopment dissolution process. Of interest to the County, this bill would:

- 1) require, on July 1, 2018, that counties with 40 or more successor agencies (SAs) have five oversight boards (OBs), staffed by the county auditor-controller or by another county entity or by a city selected by the auditor-controller;
- 2) require that the five OBs encompass the territory located within each supervisorial district and have jurisdiction over each successor agency located within its borders;
- 3) require that, if a successor agency has territory located within more than one supervisorial district, the board of supervisors determine, by July 15, 2018, which OB shall have jurisdiction over that OB;
- 4) require that a successor agency to a former RDA created by a county where more than 40 OBs were created would be under the jurisdiction of the OB with the fewest successor agencies under its jurisdiction;
- 5) create an annual, rather than biannual, process for the Recognized Obligation Payment Schedule (ROPS) beginning with the July 1, 2016, period;
- 6) create a process where a successor agency may, beginning on January 1, 2016, submit a Last and Final ROPS if the successor agency's only remaining debts are related to administrative costs and payments of enforceable obligations with defined payment schedules and the successor agency is not party to outstanding litigation;
- 7) allow successor agencies that have received a Finding of Completion (FOC) to expend 5 percent of bonds issued between January 2011 and June 2011;
- 8) allow successor agencies that have received an approved Last and Final Recognized Obligation Payment Schedule to expend 20 percent of bond proceeds issued in 2011, subject to the adjustments dependent on when the bonds were issued; and
- 9) require revenues attributable to a property tax rate approved by the voters of a city, county, city and county, or special district to make payments in support of

pension programs or in support of capital projects and programs related to the State water project and levied in addition to the general property tax rate, be allocated to, and when collected be paid into, the fund of that taxing entity, unless those amounts are pledged as security for the payment of any indebtedness obligation.

SB 107 contains some changes to the initial redevelopment budget bill language that was proposed in May and June. Of particular interest to the County, **SB 107 extends the deadline for consolidation of the oversight boards by two years – to July 1, 2018, rather than July 1, 2016,** – giving the County two additional years to prepare for the consolidation and related oversight and staffing requirements for the to-be-created five oversight boards.

The provisions which would allow for the partial use of proceeds from bonds issued in 2011 remain in SB 107; however, **the amounts of 2011 bond proceeds that a successor agency would be allowed to use, subject to receiving a Finding of Completion and approval of a Last and Final ROPS, decreased from a previous version of the Trailer Bill language.** These amounts are significantly less than would have been allowed under County-opposed AB 974, which would have allowed use of 100 percent of the bonds issued in 2011.

Criteria to Determine Amounts That Can Be Spent	2011 Bond Proceeds Allowed to be Spent	
	Previous Version of RDA Trailer Bill	SB 107 (as approved by Legislature)
Successor Agency Has Finding of Completion	15% of 2011 bond proceeds	5% of 2011 bond proceeds
Successor Agency Has Approved Last and Final ROPS	Up to 30% of 2011 bond proceeds	Up to 20% of 2011 bond proceeds
Bonds issued in January 2011	+ 25% (up to 55% total)	+ 25% (up to 45% total)
Bonds issued in February 2011	+ 20% (up to 50%)	+ 20% (up to 40%)
Bonds issued in March 2011	+ 15% (up to 45%)	+ 15% (up to 35%)
Bonds issued in April 2011	+ 10% (up to 40%)	+ 10% (up to 30%)
Bonds issued in May 2011	+ 5% (up to 35%)	+ 5% (up to 25%)
Bonds issued in June 2011	+0%	+0%

The following cities in the County issued bonds in 2011 and would be able to access a percentage of those proceeds, if the Governor signs SB 107 and if they have received their Finding of Completion and approval of their Last and Final ROPS:

City	Principal	Issuance Date	Purpose
Cudahy	\$ 2,285,000	April 2011	Housing
Cudahy	\$ 8,920,000	April 2011	Non-housing
Culver City	\$ 47,412,887	March 2011	Non-housing
Glendale	\$ 8,850,000	April 2011	Housing
Glendale	\$ 41,150,000	April 2011	Non-housing
Lynwood	\$ 5,660,000	March 2011	Housing
Lynwood	\$ 18,480,000	March 2011	Non-housing
Monrovia	\$ 8,000,000	April 2011	Housing
Santa Monica	\$ 41,050,000	June 2011	Non-housing
Signal Hill	\$ 8,835,000	March 2011	Non-housing
Vernon	\$ 19,490,000	February 2011	Non-housing
West Hollywood	\$ 9,420,000	March 2011	Housing
West Hollywood	\$ 30,560,000	March 2011	Non-housing
TOTAL:	\$ 250,112,887		

This office is working with County Counsel and the Auditor-Controller to analyze SB 107 to determine the potential impact of the bill to the County.

SB 107 passed the Assembly Floor by a vote of 45 to 31 and the Senate Floor by a vote of 24 to 15 on September 11, 2015. This measure now proceeds to the Governor.

We will continue to keep you apprised.

SAH:JJ:MR
VE:AO:lm

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association